

LISBON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Lisbon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Jeff Bohr	President	2008
Andrew Sullivan	Vice President	2007
Doren Montgomery	Board Member	2007
Eric Krob	Board Member	2008
David Prasil	Board Member	2009
Board of Education (After September 2007 Election)		
Jeff Bohr	President	2008
Andrew Sullivan	Vice President	2010
Doren Montgomery	Board Member	2010
Eric Krob	Board Member	2008
David Prasil	Board Member	2009
School Officials		
Vincent Smith	Superintendent	2008
Laurie Maher	Business Manager/ Board Secretary	2008
Ahlers & Cooney, P.C.	Attorney	2008

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Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Lisbon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District, Lisbon Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lisbon Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2009 on our consideration of the Lisbon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lisbon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2007 and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lisbon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,008,047 in fiscal 2007 to \$5,531,095 in fiscal 2008, while General Fund expenditures increased from \$5,085,587 in fiscal 2007 to \$5,436,559 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$225,496 in fiscal 2007 to a balance of \$320,032 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in state and federal source revenues in fiscal 2008. The increase in expenditures can be attributed to salaries and benefits paid to district employees.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased as compared to fiscal 2007. At June 30, 2007 the District's solvency ratio was 3.70% as compared to 4.13% at June 30, 2008. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lisbon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lisbon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lisbon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Lisbon Community School District Annual Financial Report

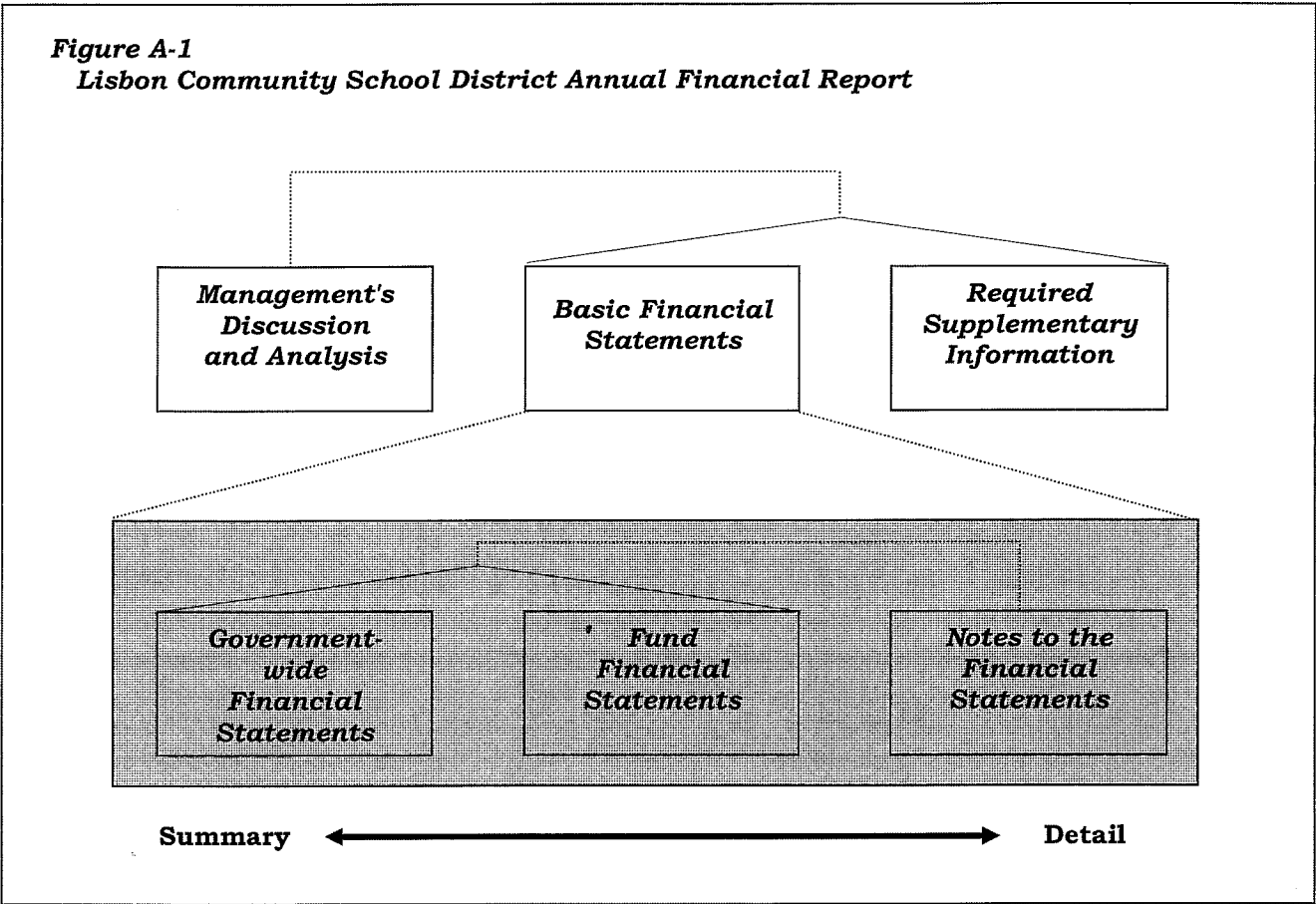


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit:* This includes the activities of the Lisbon Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Day Care Fund. Currently, the District has one Internal Service Fund which contains revenues and expenditures related to employee's dental insurance program.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's Agency Fund falls into this category.

- Agency Fund - These are funds for which the District administers and accounts for the District's band trip and other club activities.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,773,646	4,451,418	147,024	102,597	4,920,670	4,554,015	8.05%
Capital assets	6,050,150	6,149,912	28,015	31,162	6,078,165	6,181,074	-1.66%
Total assets	10,823,796	10,244,578	175,039	133,759	10,998,835	10,378,337	5.98%
Long-term obligations	2,396,429	2,564,970	0	0	2,396,429	2,564,970	-6.57%
Other liabilities	3,325,418	3,627,819	55,487	38,518	3,380,905	3,666,337	-7.79%
Total liabilities	5,721,847	6,192,789	55,487	38,518	5,777,334	6,231,307	-7.29%
Net assets:							
Invested in capital assets, net of related debt	3,725,150	3,689,942	28,015	31,162	3,753,165	3,721,104	0.86%
Restricted	961,253	358,261	0	0	961,253	358,261	168.31%
Unrestricted	415,546	360,338	91,537	64,079	507,083	424,417	19.48%
Total net assets	\$ 5,101,949	4,408,541	119,552	95,241	5,221,501	4,503,782	15.94%

The District's combined net assets increased by \$717,719, or 15.94% over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$602,992, or 168.31% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$82,666, or 19.48%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 562,588	445,225	576,983	634,708	1,139,571	1,079,933	5.52%
Operating grants and contributions and restricted interest	742,981	514,924	82,735	90,234	825,716	605,158	36.45%
General revenues:							
Property tax	1,760,970	1,930,636	0	0	1,760,970	1,930,636	-8.79%
Income surtax	207,697	216,020	0	0	207,697	216,020	-3.85%
Local option sales and service tax	558,579	74,365	0	0	558,579	74,365	651.13%
Unrestricted state grants	2,835,950	2,516,269	0	0	2,835,950	2,516,269	12.70%
Other	152,830	118,205	635	365	153,465	118,570	29.43%
Total revenues	6,821,595	5,815,644	660,353	725,307	7,481,948	6,540,951	14.39%
Program expenses:							
Governmental activities:							
Instructional	4,008,942	3,508,206	0	0	4,008,942	3,508,206	14.27%
Support services	1,523,013	1,629,255	3,967	0	1,526,980	1,629,255	-6.28%
Non-instructional programs	0	0	632,075	650,384	632,075	650,384	-2.82%
Other expenses	596,232	577,245	0	0	596,232	577,245	3.29%
Total expenses	6,128,187	5,714,706	636,042	650,384	6,764,229	6,365,090	6.27%
Change in net assets	693,408	100,938	24,311	74,923	717,719	175,861	308.12%
Net assets beginning of year	4,408,541	4,307,603	95,241	20,318	4,503,782	4,327,921	4.06%
Net assets end of year	\$ 5,101,949	4,408,541	119,552	95,241	5,221,501	4,503,782	15.94%

In fiscal 2008, local tax (property tax, income surtax, and local option sales and services tax) and unrestricted state grants account for 78.62% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost all of the revenue from business type activities.

The District's total revenues were approximately \$7.48 million of which \$6.82 million was for governmental activities and approximately \$0.66 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14.39% increase in revenues and a 6.27% increase in expenses. Total charges for services increased \$59,638 and unrestricted state grants increased \$319,681 to fund increases in expenditures. The increase in expenses was related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$6,821,595 and expenses were \$6,128,187.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,008,942	3,508,206	14.27%	2,916,718	2,740,410	6.43%
Support services	1,523,013	1,629,255	-6.52%	1,523,013	1,628,897	-6.50%
Other expenses	596,232	577,245	3.29%	382,887	385,250	-0.61%
Totals	<u>\$ 6,128,187</u>	<u>5,714,706</u>	<u>7.24%</u>	<u>4,822,618</u>	<u>4,754,557</u>	<u>1.43%</u>

- The cost financed by users of the District's programs was \$562,588.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$742,981.
- The net cost of governmental activities was financed with \$1,760,970 in property tax, \$207,697 in income surtax, \$558,579 in local option sales and service tax, \$2,835,950 in unrestricted state grants, and \$100,061 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$660,353 and expenses were \$636,042. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Lisbon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,257,236 above last year's ending fund balances of \$632,485.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in state grants and federal revenues caused increases in revenues. The increase in revenues was more than enough to offset the increase in expenditures resulting in a General Fund balance increase of \$94,536.
- The Management fund balance increased from \$88,714 to \$127,388 in fiscal 2008 due to the increase in revenues being enough to offset the increase in expenditures as compared to the previous year.
- The Capital Projects fund balance increased from \$235,602 in fiscal 2007 to \$695,486 in fiscal 2008 due to receiving more fund revenues as compared to the previous year to offset the increase in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$63,313 at June 30, 2007 to \$73,223 at June 30, 2008. This represents an increase of approximately 15.65%. The School Daycare Fund (LECCEC) net assets increased from \$31,928 at June 30, 2007 to \$46,329 at June 30, 2008.

BUDGETARY HIGHLIGHTS

The District's revenues were \$183,848 more than budgeted revenues, a variance of 2.52%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended June 30, 2008, the District adopted one budget amendment increasing budgeted expenditures by \$409,416.

During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$6,078,165, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.7% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$219,937.

The original cost of the District's capital assets was \$9,223,773. Governmental funds account for \$9,128,434 with the remainder of \$95,339 in the Proprietary, School Nutrition Fund.

Other than construction in progress, the largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$55,506 at June 30, 2007 compared to \$99,729 at June 30, 2008. The increase is attributable to the new visitors' side bleachers and fencing that was installed during fiscal 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 150,000	150,000	0	0	150,000	150,000	0.0%
Construction in progress	53,368	0	0	0	53,368	0	100.0%
Buildings	5,664,976	5,835,645	0	0	5,664,976	5,835,645	-2.9%
Improvements other than buildings	99,729	55,506	0	0	99,729	55,506	79.7%
Machinery and equipment	82,077	108,761	28,015	31,162	110,092	139,923	-21.3%
Total	\$ 6,050,150	6,149,912	28,015	31,162	6,078,165	6,181,074	-1.7%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$2,396,429 in general obligation bonds, early retirement and compensated absences. This represents a decrease of approximately 6.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-2008
General obligation bonds	\$ 2,325,000	2,435,000	-4.5%
Note payable	0	24,970	-100.0%
Early retirement	67,500	105,000	-35.7%
Compensated absences	3,929	0	100.0%
Total	\$ 2,396,429	2,564,970	-6.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The LECCEC daycare facility as well as the state funded 4-year old preschool program are definite assets to drawing more students to the District and increasing revenues. With their continued growth, enrollment will increase which in turn will help to maintain the health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurie Maher, Business Manager/Board Secretary, Lisbon Community School District, 235 West School Street, Lisbon, Iowa, 52253-0839.

BASIC FINANCIAL STATEMENTS

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit
	Govern- mental Activities	Business- type Activities	Total	Lisbon Community School District Foundation
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 653,281	0	653,281	0
Other	1,792,806	133,151	1,925,957	231,296
Receivables:				
Property tax:				
Delinquent	31,307	0	31,307	0
Succeeding year	1,887,331	0	1,887,331	0
Income surtax	207,697	0	207,697	0
Accounts	31,773	8,402	40,175	0
Accrued ISCAP interest(Note 5)	248	0	248	0
Due from other governments	169,203	0	169,203	0
Inventories	0	5,471	5,471	0
Capital assets, net of accumulated depreciation(Note 6)	6,050,150	28,015	6,078,165	0
TOTAL ASSETS	10,823,796	175,039	10,998,835	231,296
LIABILITIES				
Accounts payable	313,387	17,404	330,791	0
Salaries and benefits payable	448,942	34,603	483,545	0
ISCAP warrants payable(Note 5)	648,000	0	648,000	0
ISCAP accrued interest payable(Note 5)	191	0	191	0
ISCAP unamortized premium	11,113	0	11,113	0
Interest payable	15,553	0	15,553	0
Deferred revenue:				
Succeeding year property tax	1,887,331	0	1,887,331	0
Other	901	0	901	0
Unearned revenue	0	3,480	3,480	0
Long-term liabilities(Note 7):				
Portion due within one year:				
General obligation bonds payable	115,000	0	115,000	0
Early retirement payable	37,500	0	37,500	0
Compensated absences	3,929	0	3,929	0
Portion due after one year:				
General obligation bonds payable	2,210,000	0	2,210,000	0
Early retirement payable	30,000	0	30,000	0
TOTAL LIABILITIES	5,721,847	55,487	5,777,334	0
NET ASSETS				
Invested in capital assets, net of related debt	3,725,150	28,015	3,753,165	0
Restricted for:				
Scholarships	0	0	0	66,265
Talented and gifted	25,707	0	25,707	0
Beginning teacher mentoring	1,015	0	1,015	0
Salary improvement program	438	0	438	0
Market factor	4,215	0	4,215	0
Ambassador to education	40,302	0	40,302	0
Community grants	15,544	0	15,544	0
Career pathways	4,328	0	4,328	0
Management	59,888	0	59,888	0
Physical plant and equipment levy	17,343	0	17,343	0
Capital projects	695,486	0	695,486	0
Debt service	2,725	0	2,725	0
Other special revenue purposes	94,262	0	94,262	0
Unrestricted	415,546	91,537	507,083	165,031
TOTAL NET ASSETS	\$ 5,101,949	119,552	5,221,501	231,296

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Lisbon Community School District Foundation
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Govern- mental Activities	Business- Type Activities		
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,960,481	257,814	497,267	(2,205,400)	0	(2,205,400)	0
Special instruction	654,870	48,836	32,369	(573,665)	0	(573,665)	0
Other instruction	393,591	255,938	0	(137,653)	0	(137,653)	0
	4,008,942	562,588	529,636	(2,916,718)	0	(2,916,718)	0
Support services:							
Student services	101,531	0	0	(101,531)	0	(101,531)	0
Instructional staff services	191,723	0	0	(191,723)	0	(191,723)	0
Administration services	582,535	0	0	(582,535)	0	(582,535)	0
Operation and maintenance of plant services	449,597	0	0	(449,597)	0	(449,597)	0
Transportation services	197,627	0	0	(197,627)	0	(197,627)	0
	1,523,013	0	0	(1,523,013)	0	(1,523,013)	0
Other expenditures:							
Facilities acquisitions	108,865	0	0	(108,865)	0	(108,865)	0
Long-term debt interest and fiscal charges	96,851	0	0	(96,851)	0	(96,851)	0
AEA flowthrough	213,345	0	213,345	0	0	0	0
Depreciation(unallocated)*	177,171	0	0	(177,171)	0	(177,171)	0
	596,232	0	213,345	(382,887)	0	(382,887)	0
Total governmental activities	6,128,187	562,588	742,981	(4,822,618)	0	(4,822,618)	0
Business-Type activities:							
Support services:							
Administration services	1,033	0	0	0	(1,033)	(1,033)	0
Operation and maintenance of plant services	2,934	0	0	0	(2,934)	(2,934)	0
Total support services	3,967	0	0	0	(3,967)	(3,967)	0
Non-instructional programs:							
Nutrition services	271,877	213,981	70,480	0	12,584	12,584	0
Daycare	360,198	363,002	12,255	0	15,059	15,059	0
Total non-instructional programs:	632,075	576,983	82,735	0	27,643	27,643	0
Total business-type activities	636,042	576,983	82,735	0	23,676	23,676	0
Total primary government	\$ 6,764,229	1,139,571	825,716	(4,822,618)	23,676	(4,798,942)	0
Total component unit	\$ 21,681	0	14,522				(7,159)
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,452,771	0	1,452,771	0
Debt service				206,028	0	206,028	0
Capital outlay				102,171	0	102,171	0
Income surtax				207,697	0	207,697	0
Local option sales and services				558,579	0	558,579	0
Unrestricted state grants				2,835,950	0	2,835,950	0
Unrestricted investment earnings				100,061	635	100,696	6,310
Unrealized gain on investments				0	0	0	(22,717)
Realized gain on investments				0	0	0	(6,216)
Capital gain distributions				0	0	0	5,387
Other				52,769	0	52,769	9,200
Total general revenues				5,516,026	635	5,516,661	(8,036)
Changes in net assets				693,408	24,311	717,719	(15,195)
Net assets beginning of year				4,408,541	95,241	4,503,782	246,491
Net assets end of year				\$ 5,101,949	119,552	5,221,501	231,296

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 5)	\$ 653,281	0	0	653,281
Other	898,157	648,927	245,541	1,792,625
Receivables:				
Property tax				
Delinquent	23,753	0	7,554	31,307
Succeeding year	1,549,638	0	337,693	1,887,331
Income surtax	207,697	0	0	207,697
Interfund	610	0	0	610
Accounts	17,856	799	13,117	31,772
Accrued ISCAP interest (Note 5)	248	0	0	248
Due from other governments	72,021	97,182	0	169,203
TOTAL ASSETS	\$ 3,423,261	746,908	603,905	4,774,074
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	610	610
Accounts payable	236,747	51,422	23,884	312,053
Salaries and benefits payable	448,942	0	0	448,942
ISCAP warrants payable (Note 5)	648,000	0	0	648,000
ISCAP accrued interest payable (Note 5)	191	0	0	191
ISCAP unamortized premium	11,113	0	0	11,113
Deferred revenue:				
Succeeding year property tax	1,549,638	0	337,693	1,887,331
Income surtax	207,697	0	0	207,697
Other	901	0	0	901
Total liabilities	3,103,229	51,422	362,187	3,516,838
Fund balances:				
Reserved for:				
Talented and gifted	25,707	0	0	25,707
Beginning teacher mentoring	1,015	0	0	1,015
Salary improvement program	438	0	0	438
Market factor	4,215	0	0	4,215
Ambassador to education	40,302	0	0	40,302
Community grants	15,544	0	0	15,544
Career pathways	4,328	0	0	4,328
Debt service	0	0	2,725	2,725
Unreserved	228,483	695,486	238,993	1,162,962
Total fund balances	320,032	695,486	241,718	1,257,236
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,423,261	746,908	603,905	4,774,074

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,257,236
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,050,150
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	(1,152)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	207,697
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(15,553)
Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,396,429)
Net assets of governmental activites (page 13)	<u>\$ 5,101,949</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,531,269	558,579	437,398	2,527,246
Tuition	270,870	0	0	270,870
Other	150,887	11,452	283,071	445,410
State sources	3,477,880	0	0	3,477,880
Federal sources	100,189	0	0	100,189
Total revenues	5,531,095	570,031	720,469	6,821,595
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,934,803	0	37,500	2,972,303
Special instruction	654,870	0	0	654,870
Other instruction	180,953	0	212,638	393,591
	3,770,626	0	250,138	4,020,764
Support services:				
Student services	101,531	0	0	101,531
Instructional staff services	191,723	0	0	191,723
Administration services	561,661	0	28,550	590,211
Operation and maintenance of plant services	416,723	0	29,059	445,782
Transportation services	180,950	0	6,228	187,178
	1,452,588	0	63,837	1,516,425
Other expenditures:				
Facilities acquisitions	0	110,147	102,811	212,958
Long-term debt:				
Principal	0	0	134,970	134,970
Interest and fiscal charges	0	0	98,382	98,382
AEA flowthrough	213,345	0	0	213,345
	213,345	110,147	336,163	659,655
Total expenditures	5,436,559	110,147	650,138	6,196,844
Excess of revenues over expenditures	94,536	459,884	70,331	624,751
Other financing sources(uses):				
Transfers in	0	0	26,061	26,061
Transfers out	0	0	(26,061)	(26,061)
Total other financing sources(uses)	0	0	0	0
Net change in fund balances	94,536	459,884	70,331	624,751
Fund balance beginning of year	225,496	235,602	171,387	632,485
Fund balance end of year	\$ 320,032	695,486	241,718	1,257,236

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ 624,751

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital expenditures in the current year, as follows:

Capital expenditures	\$ 117,028	
Depreciation expense	<u>(216,790)</u>	(99,762)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (1,653)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 134,970

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,531

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ 22,500	
Compensated absences	<u>11,071</u>	<u>33,571</u>

Changes in net assets of governmental activities(page 14) \$ 693,408

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities:			Governmental
	Enterprise Funds			Activities:
	School Nutrition	LECCEC (DayCare)	Total Enterprise	Internal Service Fund
ASSETS				
Cash and pooled investments	\$ 51,977	81,174	133,151	181
Interfund receivable	213	0	213	0
Accounts receivable	7,287	1,115	8,402	1
Inventories	4,265	1,206	5,471	0
Capital assets, net of accumulated depreciation(Note 6)	28,015	0	28,015	0
TOTAL ASSETS	91,757	83,495	175,252	182
LIABILITIES				
Interfund payable	0	213	213	0
Accounts payable	9,297	8,107	17,404	1,334
Salaries and benefits payable	5,757	28,846	34,603	0
Unearned revenue	3,480	0	3,480	0
TOTAL LIABILITIES	18,534	37,166	55,700	1,334
NET ASSETS				
Invested in capital assets	28,015	0	28,015	0
Unrestricted	45,208	46,329	91,537	(1,152)
TOTAL NET ASSETS	\$ 73,223	46,329	119,552	(1,152)

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	LECCEC (DayCare)	Total Enterprise	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 213,981	363,002	576,983	19,835
OPERATING EXPENSES:				
Support services:				
Administration services:				
Services	0	1,033	1,033	0
Operation and maintenance of plant services:				
Supplies	2,934	0	2,934	0
Total support services	2,934	1,033	3,967	0
Non-instructional programs:				
Salaries	63,351	224,454	287,805	0
Benefits	13,550	71,436	84,986	21,488
Supplies	191,829	64,308	256,137	0
Depreciation	3,147	0	3,147	0
Total non-instructional programs	271,877	360,198	632,075	21,488
TOTAL OPERATING EXPENSES	274,811	361,231	636,042	21,488
OPERATING INCOME (LOSS)	(60,830)	1,771	(59,059)	(1,653)
NON-OPERATING REVENUES:				
State sources	2,818	0	2,818	0
Federal sources	67,662	12,255	79,917	0
Interest on investments	260	375	635	0
TOTAL NON-OPERATING REVENUES	70,740	12,630	83,370	0
Net income(loss)	9,910	14,401	24,311	(1,653)
Net assets beginning of year	63,313	31,928	95,241	501
Net assets end of year	\$ 73,223	46,329	119,552	(1,152)

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	LECCEC (DayCare)	Total Enterprise	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 209,723	0	209,723	0
Cash received from miscellaneous	0	363,053	363,053	19,834
Cash payments to employees for services	(76,567)	(284,702)	(361,269)	(24,154)
Cash payments to suppliers for goods or services	(175,457)	(60,876)	(236,333)	0
Net cash provided by(used in) operating activities	(42,301)	17,475	(24,826)	(4,320)
Cash flows from non-capital financing activities:				
Interfund borrowings(repaysments)	213	(213)	0	0
State grants received	2,818	0	2,818	0
Federal grants received	54,997	12,255	67,252	0
Net cash provided by non-capital financing activities	58,028	12,042	70,070	0
Cash flows from investing activities:				
Interest on investments	260	375	635	0
Net increase(decrease) in cash and cash equivalents	15,987	29,892	45,879	(4,320)
Cash and cash equivalents at beginning of year	35,990	51,282	87,272	4,501
Cash and cash equivalents at end of year	\$ 51,977	81,174	133,151	181
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (60,830)	1,771	(59,059)	(1,653)
Adjustments to reconcile operating income(loss) to net net cash provided by(used in) operating activities:				
Commodities consumed	12,665	0	12,665	0
Depreciation	3,147	0	3,147	0
Decrease in inventories	2,517	2,840	5,357	0
Decrease(Increase) in accounts receivable	(4,382)	51	(4,331)	(1)
Increase in accounts payable	4,124	1,625	5,749	0
Increase(Decrease) in salaries and benefits payable	334	11,188	11,522	(2,666)
Increase in unearned revenue	124	0	124	0
Net cash provided by(used in) operating activities	\$ (42,301)	17,475	(24,826)	(4,320)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 51,977	81,174	133,151	181

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$12,665.

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
COMPONENT UNIT
JUNE 30, 2008

	<u>Lisbon Community School District Foundation</u>
Assets	
Cash	\$ 36,735
Certificates of deposit	5,537
Investments	<u> 189,024</u>
Total Assets	<u>\$ 231,296</u>
Total Liabilities	<u>\$ 0</u>
Net Assets	
Restricted net assets	66,265
Unrestricted net assets	<u> 165,031</u>
Total Net Assets	<u>\$ 231,296</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2008

	Lisbon Community School District Foundation		
	Unrestricted	Restricted	
	Funds	Funds	Total
Support and Revenue:			
Interest	\$ 1,357	3,782	5,139
Donations	14,522	0	14,522
Dividends	1,171	0	1,171
Long term capital gain distribution	44	0	44
Short term capital gain distribution	5,343	0	5,343
Unrealized gain or loss on investments	(17,175)	(5,542)	(22,717)
Realized gain or loss on investments	(6,051)	(165)	(6,216)
Other	9,200	0	9,200
Total support and revenue	8,411	(1,925)	6,486
Expenses:			
Administration	696	833	1,529
Investment management	0	116	116
Scholarships	18,675	0	18,675
Gifts given	500	0	500
Other	861	0	861
Total expenses	20,732	949	21,681
Change in net assets before other financing sources	(12,321)	(2,874)	(15,195)
Other financing sources and uses net	4,389	(4,389)	0
Deficiency of support and revenue under expenses	(7,932)	(7,263)	(15,195)
Net assets beginning of year	172,963	73,528	246,491
Net assets end of year	\$ 165,031	66,265	231,296

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LISBON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Lisbon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Lisbon, Iowa, and the predominate agricultural territory in Linn, Cedar, Jones, and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lisbon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

These financial statements present the Lisbon Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Lisbon Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The trustees are elected for 3-year terms from nominations submitted by the Board of Education of the District. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental fund in these financial statements.

Jointly Governed Organizations

The District does not participate in any jointly governed organizations for which the District is financially

accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary fund:

The Enterprise, Daycare Fund is used to account for child care services provided by the District.

The District's also reports two non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is used to account for the self-funded employee dental insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Years of Useful Life
Buildings	10-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has

been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,445</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Activity	\$ 610
Nutrition	Daycare (LECCEC)	213
Total		<u>\$ 823</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	PPEL	<u>\$ 26,061</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 653,281	248	648,000	191

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 150,000	0	0	150,000
Construction in progress	0	53,368	0	53,368
Total capital assets not being depreciated	150,000	53,368	0	203,368
Capital assets being depreciated:				
Buildings	8,146,181	0	0	8,146,181
Improvements other than buildings	79,316	50,725	0	130,041
Machinery and equipment	645,909	12,935	10,000	648,844
Total capital assets being depreciated	8,871,406	63,660	10,000	8,925,066
Less accumulated depreciation for:				
Buildings	2,310,536	170,669	0	2,481,205
Improvements other than buildings	23,810	6,502	0	30,312
Machinery and equipment	537,148	39,619	10,000	566,767
Total accumulated depreciation	2,871,494	216,790	10,000	3,078,284
Total capital assets being depreciated, net	5,999,912	(153,130)	0	5,846,782
Governmental activities capital assets, net	\$ 6,149,912	(99,762)	0	6,050,150

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 95,339	0	0	95,339
Less accumulated depreciation	64,177	3,147	0	67,324
Business-type activities capital assets, net	\$ 31,162	(3,147)	0	28,015

Governmental activities:

Instruction:

Regular	\$ 6,845
Administration	5,575
Operation and maintenance of plant	3,815
Transportation	23,384
	<u>39,619</u>
Unallocated depreciation	<u>177,171</u>
Total governmental activities depreciation expense	<u>\$ 216,790</u>

Business-type activities:

Food services	<u>\$ 3,147</u>
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(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,435,000	0	110,000	2,325,000	115,000
Note Payable	24,970	0	24,970	0	0
Early Retirement	105,000	0	37,500	67,500	37,500
Compensated Absences	0	3,929	0	3,929	3,929
Total	<u>\$ 2,564,970</u>	<u>3,929</u>	<u>172,470</u>	<u>2,396,429</u>	<u>156,429</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated May 1, 2003			
		Principal	Interest	Total	
2009	3.25 %	\$ 115,000	93,315	208,315	
2010	3.50	120,000	89,577	209,577	
2011	3.50	125,000	85,378	210,378	
2012	4.00	130,000	81,002	211,002	
2013	4.00	135,000	75,803	210,803	
2014	4.00	140,000	70,402	210,402	
2015	4.00	145,000	64,803	209,803	
2016	4.00	150,000	59,002	209,002	
2017	4.00	160,000	53,003	213,003	
2018	4.00	165,000	46,602	211,602	
2019	4.10	170,000	40,003	210,003	
2020	4.20	180,000	33,032	213,032	
2021	4.30	190,000	25,473	215,473	
2022	4.30	195,000	17,302	212,302	
2023	4.35	205,000	8,918	213,918	
Total		<u>\$ 2,325,000</u>	<u>843,615</u>	<u>3,168,615</u>	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed ten years of continuous service to the District. The maximum number of eligible employees that can participate in the District's early retirement plan in any year is four which are determined on a first come first serve basis. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits are equal to four equal payments of \$7,500 over four consecutive years. Eligible employees can participate in the District's health insurance policy but must pay the cost. The cost of early retirement benefits paid during the year ended June 30, 2008, totaled \$37,500.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$175,817, \$161,765 and \$157,154 respectively, equal to the required contributions for each year.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$213,345 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amount budgeted.

(11) Deficit Fund Balance/Net Assets

At the year ended June 30, 2008, The Internal Service Fund had a deficit unreserved undesignated fund balance of \$1,152.

REQUIRED SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,243,526	577,618	3,821,144	3,804,073	3,804,073	17,071
State sources	3,477,880	2,818	3,480,698	3,321,527	3,321,527	159,171
Federal sources	100,189	79,917	180,106	172,500	172,500	7,606
Total revenues	6,821,595	660,353	7,481,948	7,298,100	7,298,100	183,848
Expenditures:						
Instruction	4,020,764	0	4,020,764	3,790,584	4,200,000	179,236
Support services	1,516,425	3,967	1,520,392	1,994,029	1,994,029	473,637
Non-instructional programs	0	632,075	632,075	720,000	720,000	87,925
Other expenditures	659,655	0	659,655	653,215	653,215	(6,440)
Total expenditures	6,196,844	636,042	6,832,886	7,157,828	7,567,244	734,358
Excess(deficiency) of revenues over(under) expenditures	624,751	24,311	649,062	140,272	(269,144)	918,206
Balance beginning of year	632,485	95,241	727,726	823,278	823,278	(95,552)
Balance end of year	\$ 1,257,236	119,552	1,376,788	963,550	554,134	822,654

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District adopted one budget amendment increasing budgeted expenditures by \$409,416.

During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 130,356	94,486	21,655	246,497	(956)	245,541
Receivables:						
Property tax:						
Current year delinquent	2,137	0	1,739	3,876	3,678	7,554
Succeeding year	85,000	0	106,978	191,978	145,715	337,693
Accounts	219	12,880	15	13,114	3	13,117
TOTAL ASSETS	\$ 217,712	107,366	130,387	455,465	148,440	603,905
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 0	610	0	610	0	610
Accounts payable	5,324	12,494	6,066	23,884	0	23,884
Deferred revenue:						
Succeeding year property tax	85,000	0	106,978	191,978	145,715	337,693
TOTAL LIABILITIES	90,324	13,104	113,044	216,472	145,715	362,187
UNRESERVED FUND BALANCES	127,388	94,262	17,343	238,993	2,725	241,718
TOTAL LIABILITIES AND FUND BALANCES	\$ 217,712	107,366	130,387	455,465	148,440	603,905

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 129,199	0	102,171	231,370	206,028
Other	10,812	262,292	9,120	282,224	847
TOTAL REVENUES	140,011	262,292	111,291	513,594	206,875
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	37,500	0	0	37,500	0
Other instruction	0	212,638	0	212,638	0
Support services:					
Administration services	28,550	0	0	28,550	0
Operation and maintenance of plant services	29,059	0	0	29,059	0
Transportation services	6,228	0	0	6,228	0
Other expenditures:					
Facilities acquisition	0	0	102,811	102,811	0
Long-term debt:				0	
Principal	0	0	0	0	134,970
Interest and fiscal charges	0	0	0	0	98,382
TOTAL EXPENDITURES	101,337	212,638	102,811	416,786	233,352
Excess(deficiency) of revenues over (under) expenditures	38,674	49,654	8,480	96,808	(26,477)
Other financing sources(uses):					
Transfer in	0	0	0	0	26,061
Transfer out	0	0	(26,061)	(26,061)	0
Total other financing sources(uses)	0	0	(26,061)	(26,061)	26,061
Excess(deficiency) of revenues and other financing sources(uses) over(under) expenditures	38,674	49,654	(17,581)	70,747	(416)
Fund balance beginning of year	88,714	44,608	34,924	168,246	3,141
Fund balance end of year	\$ 127,388	94,262	17,343	238,993	2,725

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts				
Peer Counselors	\$ 1,032	0	134	898
Special Account	1,921	7,209	8,442	688
Recycling	62	0	0	62
Elementary Picture Fund	423	267	690	0
JH Student Council	0	19,984	19,984	0
High School Accounts				
Cheerleaders	2,217	2,953	3,020	2,150
Boy's Basketball	6,632	10,711	5,155	12,188
Boy's Football	5,024	16,419	5,895	15,548
Boy's Baseball	0	14,198	14,198	0
Boy's Track	42	636	678	0
Boy's Golf	0	1,073	1,073	0
Boy's Wrestling	0	20,989	20,989	0
Gate Account	3,097	7,215	10,312	0
Girl's Basketball	5,922	3,481	2,813	6,590
Girl's Volleyball	2,743	5,994	4,155	4,582
Girl's Softball	0	14,129	7,160	6,969
Girl's Golf	0	260	260	0
Athletics	5,506	17,257	13,244	9,519
Picture Fund	512	205	717	0
National Honor Society	0	601	601	0
Speech	0	1,134	1,134	0
Annual	0	11,638	11,638	0
Student Council	463	4,416	4,772	107
SADD	438	0	0	438
Prom	1,653	4,208	3,867	1,994
Concessions	0	30,014	15,956	14,058
Dance	0	2,368	2,293	75
Drama	0	3,204	3,204	0
Ski Trip	400	1,211	1,060	551
Band Trip	0	3,438	0	3,438
Spanish Club	6,521	41,723	46,992	1,252
Fine Arts	0	11,747	2,202	9,545
Band Uniform Replacement	0	3,610	0	3,610
Total	\$ 44,608	262,292	212,638	94,262

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 40,242	51,249	91,491	0
LIABILITIES				
Accounts payable	\$ 4,699	0	4,699	0
Due to other groups	35,543	51,249	86,792	0
TOTAL LIABILITIES	\$ 40,242	51,249	91,491	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	2,527,246	2,013,324	2,027,871	1,727,809	1,667,356
Tuition		270,870	330,755	284,428	363,834	245,725
Other		445,410	239,370	141,164	177,524	204,924
State sources		3,477,880	2,935,605	2,912,899	2,671,854	2,486,211
Federal sources		100,189	88,893	104,597	314,394	931,592
Total	\$	6,821,595	5,607,947	5,470,959	5,255,415	5,535,808
Expenditures:						
Instruction:						
Regular instruction	\$	2,972,303	2,550,944	2,420,522	2,426,716	2,289,496
Special instruction		654,870	673,032	394,806	506,763	470,526
Other instruction		393,591	267,208	319,316	233,475	203,778
Support services:						
Student services		101,531	93,398	73,875	74,412	60,311
Instructional staff services		191,723	186,819	140,236	157,538	149,933
Administration services		590,211	599,422	581,296	606,773	653,110
Operation and maintenance of plant services		445,782	578,955	536,650	531,125	452,985
Transportation services		187,178	144,258	276,250	237,485	119,240
Other expenditures:						
Facilities acquisitions		212,958	140,142	94,285	363,399	3,479,845
Long Term Debt:						
Principal		134,970	128,900	105,000	156,567	150,681
Interest		98,382	102,896	104,114	110,410	116,405
AEA flow-through		213,345	191,995	186,036	171,760	168,244
Total	\$	6,196,844	5,657,969	5,232,386	5,576,423	8,314,554

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Lisbon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lisbon Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lisbon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Lisbon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lisbon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lisbon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Lisbon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Lisbon Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lisbon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lisbon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Lisbon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lisbon Community School District and other parties to whom Lisbon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lisbon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2009

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review the policy and structure for possible adjustments in duties.

Conclusion - Response accepted.

I-B-08 Daycare Fund - The Daycare is not currently using the District's established purchase order system. As a result, invoices for products are received and must be tracked down to determine if appropriate. In addition, individuals are paying for items personally and then seeking subsequent reimbursement.

Recommendation - The District's purchase order system should be utilized so that goods received by the Daycare are properly approved. This practice will reduce the need for the District to reimburse employees for goods they have purchased from personal funds. When employees purchase goods for the District with personal funds, they are charged sales tax which the District would not be charged if proper purchase order procedures were followed.

Response - The Director of the LECCEC is now using the District's established purchase order system so that the purchase of goods will be properly approved. The number of personal reimbursements is now kept to a minimum. When reimbursements are needed employees are not being reimbursed for sales tax.

Conclusion - Response accepted.

I-C-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for all coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - Monthly timesheets are now being turned in for non-certified staff coaching hours. Hours are being calculated so that proper overtime is being paid to employees that go over forty hours per week.

Conclusion - Response accepted.

I-D-08 Gate Admissions - Pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small.
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.
- h. The Activity Director or designee should be required to night deposit at the bank or lock the event proceeds in the District's vault until deposit the following day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - Gate admission policies will be reviewed with the intent of instituting better methods of control as well as using pre-numbered tickets for all events the District charges admissions for.

Conclusion - Response accepted.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amount budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Accrued amounts will be closely monitored in order to accurately estimate final budget figures and necessary amendments.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However, during our audit, we noted that District employees seeking mileage reimbursements were not turning in documentation stating on what day and to what destination employees were traveling to determine if the travel was District business expense.

Recommendation - The District should require that all employees traveling on behalf of the District submit detailed documentation of days of travel and the destinations traveled so office personnel are able to determine if travel expenses belong to the District.

Response - Employees traveling on behalf of the District are required and are now submitting detailed documentation regarding days of travel and destinations.

Conclusion - Response accepted.

II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1, resident students was understated by one student. The number of students which were reported on Line 2, tuitioned out, was overstated by two students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The Department of Education was contacted and the information corrected.

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Board Policies - Chapter 279.8 of the Code of Iowa states that the District's school board has the authority to set rules and provisions that allow district employees the use of district-issued credit cards for payment of actual and necessary expenses incurred while performing district related duties. Currently the District has district-issued credit cards but does not have a board policy outlining the cards' usage.

Recommendation - The District should formulate and adopt a board policy for credit card usage to be in compliance with Chapter 279.8 of the Code of Iowa. For guidance in formulating a policy, the District could contact IASB for a sample policy.

Response - The Board has adopted Board Policy 401.16 - District Credit Cards - to address the use of District-issued credit cards for payment of expenses while performing District related duties.

Conclusion - Response accepted.

II-K-08 Financial Condition - At the year ended June 30, 2008, The Internal Service Fund had a deficit unreserved undesignated fund balance of \$1,152.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The Internal Service Fund that ended in a deficit at the end of fiscal year 2008 was a self-funded dental account that has since been closed. As of July 1, 2008 District employees are covered under dental insurance from Principal.

Conclusion - Response accepted.